

VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

June 30, 2007

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# VALLEY COMMUNITY SCHOOL DISTRICT

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Greg Kleppe	President	2007
Lois Dummermuth	Vice President	2006
Celeste Strong	Board Member	2006
Mick Olson	Board Member	2008
Dawn Daughton	Board Member	2008
Board of Education (After September 2006 Election)		
Greg Kleppe	President	2007
Mick Olson	Vice President	2008
Dawn Daughton	Board Member	2008
Mark Howard	Board Member	2009
Rick Klann	Board Member	2009
School Officials		
Cathleen Molumby	Superintendent	2007
Jennifer Willenbring	Business Manager/District Treasurer	Resigned Oct 13, 2006
Melissa Fettkether	Business Manager/District Treasurer	
Carole Nading	District Secretary	
T. David Katsumes	Attorney	

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

124A Main • P.O. Box 359

Elkader, Iowa 52043

(563) 245-2154 • (800) 310-2154

## Independent Auditor's Report

To the Board of Education of  
Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District, Elgin, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Valley Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2007 on our consideration of Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 43 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa 52043

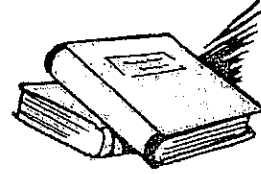
December 21, 2007

*Dietz, Donald & Company*  
Dietz, Donald & Company, CPAs  
FEIN 42-1172392

# Valley Community School District

Cathleen A. Molumby, Superintendent

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Elgin, IA 52141-9634  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Valley Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2007. The analysis focuses on the District's financial statements as a whole. Please read it in conjunction with the District's financial statements, which follow this section.

### 2007 FINANCIAL HIGHLIGHTS

General Fund revenues increased overall by \$ 215,785 compared to FY06, while expenditures increased \$ 82,550. Total revenues of \$ 4,279,125 exceeded total expenditures of \$ 4,179,647 by \$ 99,478. This resulted in an increase in the District's General Fund balance from \$ 395,438 to \$ 494,916.

The increase in revenues was mostly attributable to an increase in local taxes, state aid and tuition, offset by a decrease in federal aid.

Instructional costs increased approximately \$ 100,000, however administrative costs decreased approximately \$ 25,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statement consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Valley Community School District acts solely as custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

## **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities-are one way to measure the District's financial health and financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

**Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

**Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.



## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as the management levy.

The District has three kinds of funds:

- 1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary fund: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, an Agency Fund. Agency Funds are funds through which the District administers and accounts for assets that belong to the Northeast Iowa Health Occupations Consortium.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these

activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

#### DISTRICT-WIDE FINANCIAL ANALYSIS

Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Current and other assets	\$ 3,719	3,565	88	95	3,807	3,660	4.0%
Capital assets	3,147	3,175	12	14	3,159	3,189	-0.9%
Total assets	6,866	6,740	100	109	6,966	6,849	1.7%
Long-term liabilities	1,372	1,577	-	-	1,372	1,577	-13.0%
Other liabilities	1,862	1,844	17	18	1,879	1,862	0.9%
Total Liabilities	3,234	3,421	17	18	3,251	3,439	-5.5%
Net assets:							
Invested in capital assets, net of related debt	2,045	1,795	12	14	2,057	1,809	13.7%
Restricted	1,147	1,171	-	-	1,147	1,171	-2.0%
Unrestricted	440	353	71	77	511	430	18.8%
Total net assets	\$ 3,632	3,319	83	91	3,715	3,410	9.0%

The District's combined net assets increased by nearly 9%, or approximately \$ 306,000 over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$ 23,000 or 2% under the prior year.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased \$ 81,000 or nearly 19%. This increase in unrestricted net assets was a result of accumulating an additional \$ 87,000 in the general fund.

Changes in Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Revenues:							
Program revenues:							
Charges for service	\$ 317	305	113	119	430	424	1.4%
Operating grants, contributions and restricted interest	632	598	126	121	758	719	5.4%
Capital grants, contributions and restricted interest	5	8	-	-	5	8	-37.5%
General revenues:							
Property tax	1,461	1,463	-	-	1,461	1,463	-0.1%
Local option sales and service tax	302	302	-	-	302	302	-%
Income tax surtax	14	14	-	-	14	14	-%
Unrestricted state grants	2,168	2,184	-	-	2,168	2,184	-0.7%
Unrestricted investment earnings	62	49	3	3	65	52	25.0%
Other	12	29	-	-	12	29	-58.6%
Total revenues	4,973	4,952	242	243	5,215	5,195	0.4%
Program expenses:							
Governmental activities:							
Instruction	2,958	2,850	-	-	2,958	2,850	3.8%
Support services	1,374	1,437	-	-	1,374	1,437	-4.4%
Non-instructional programs	1	3	251	248	252	251	0.4%
Other expenses	326	356	-	-	326	356	-8.4%
Total expenses	4,659	4,646	251	248	4,910	4,894	0.3%
Change in net assets	\$ 314	306	(9)	(5)	305	301	1.3%

Property taxes and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95% of the total expenses.

The District's total revenues were approximately \$ 5.22 million of which \$ 4.97 million was for governmental activities and nearly \$ 242,000 was for business type activities.

As shown above, the District as a whole experienced a 0.4% increase in revenues and a 0.3% increase in expenses. Property taxes decreased approximately \$ 2,000 while unrestricted state grants decreased approximately \$ 16,000.

### Governmental Activities

Revenues for governmental activities were \$ 4,973,477 and expenses were \$ 4,659,000. The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Total and Net Cost of Governmental Activities (Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,958	\$ 2,224
Support services	1,374	1,338
Non-instructional	1	(1)
Other expenses	<u>326</u>	<u>144</u>
Totals	<u>\$ 4,659</u>	<u>\$ 3,705</u>

The cost financed by users of the District's programs was \$ 316,952.

Federal and state governments subsidized certain programs with grants and contributions totaling \$ 637,107.

The net cost of government activities was financed with \$ 1,776,674 in property and other taxes and \$ 2,168,302 in unrestricted state grants.

### Business Type Activities

The District's only business-type activity is the School Nutrition Fund. The School Nutrition Fund balance is \$ 82,760 a decrease of \$ 8,692 compared to last year. Revenues of this fund are comprised of charges for services, federal and state reimbursements and investment income.

Expenses consist of employee wages, benefits, food, general supplies, repairs and depreciation. During the school year, a part-time employee was added. Also, continued from the previous year were programs offering breakfast bags for students to buy and salads for adults. The District has not increased lunch prices since 1997/98.

#### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Valley Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed fiscal year 2007, its governmental funds reported combined fund balances of \$ 1,870,223 about \$ 135,000 above last year's ending fund balances of \$ 1,735,157. The primary reason for the increase was only spending 85% of the local option sales tax revenue in FY07.

#### **Governmental Fund Highlights**

The General Fund balance increased from \$ 395,438 to \$ 494,916, due mostly to increased expenditures in salaries and benefits.

The Physical Plant and Equipment Levy (PPEL) Fund balance decreased by \$ 72,901 to \$ 385,654. Included in the ending balance is \$ 129,165 of QZAB loan funds.

The Capital Projects Fund balance increased by \$ 56,955 to \$ 758,153 as only 85% of the local option sales tax revenue was spent in FY07. Included in the ending balance is \$ 134,048 of unexpended QZAB loan funds.

#### **Proprietary Fund Highlights**

Revenues of the District's Nutrition Fund activities decreased 0.4% to \$ 242,346, while expenses increased 1% to \$ 251,038. Special programs begun during FY04 were continued. If the operating balance exceeds three months normal operating costs, schools are to implement a plan of action to reduce the balance.

#### **BUDGETARY HIGHLIGHTS**

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget". In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its agency fund. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily

prescribed procedures. The District's certified budget is prepared on the GAAP basis. It is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District's revenues were \$ 3,574 more than budgeted revenues.

Total expenditures were \$ 508,594 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the "actual General Fund cash". It is imperative for users of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carry-over and does not represent actual dollars (General Fund cash) or actual financial position (unreserved, undesignated General Fund balance) of the District.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had invested \$ 3.2 million net of accumulated depreciation, in a broad range of capital assets in the governmental fund. This includes land, buildings, equipment and transportation equipment. (See chart below). More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year in the governmental funds was approximately \$ 128,000.

The District has a capitalization threshold of \$ 3,000 per asset for governmental funds. The threshold remains at \$ 500 for business-type funds.

The School Nutrition Fund owned \$ 12,433 in assets, net of depreciation. This is down slightly from \$ 14,481 on June 30, 2006, due to FY07 depreciation expense.

The largest capital acquisitions for FY07 were the purchase of

a used bus for \$ 33,000, a parking lot resurfacing project for \$ 28,704 and a carpeting and flooring project for \$ 32,700.

Capital Assets, net of Depreciation (Expressed in thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2007	2006	2007	2006	2007	2006	2006-2007
Land	\$ 33	33	-	-	33	33	0.0%
Site improvements	63	39	-	-	63	39	61.5%
Buildings	3,001	3,064	-	-	3,001	3,064	-2.1%
Furniture and equipment	50	39	12	14	62	53	17.0%
Totals	\$ 3,147	3,175	12	14	3,159	3,189	-0.0%

#### Long-Term Debt

At year-end, the District had debt of \$ 1,330,000 in general obligation bonds, revenue bonds, and capital loan notes. This represents a decrease of approximately \$ 220,000 from last year. (See chart below). More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

A payment of \$ 145,000 was made on the existing general obligation bonds, lowering the balance due from \$ 280,000 to \$ 135,000.

A payment of \$ 75,000 was made on the 2004 revenue bonds (\$ 850,000 issue) lowering the balance to \$ 635,000. Also outstanding are QZAB revenue bonds of \$ 220,000 and QZAB capital loan notes of \$ 340,000. The QZAB obligations are not due until 2013; however deposits will be sent to an escrow agent annually to hold for final payment.

Outstanding Long-Term Obligations (expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	2007	2006	2006-2007
General obligation bonds	\$ 135	280	-51.8%
Revenue bonds	855	930	-8.1%
Capital loan notes	340	340	0.0%
Compensated absences	42	27	55.6%
Totals	\$ 1,372	1,577	-13.0%

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of a few existing circumstances that could significantly affect its financial health in the future:

Taxable valuation in the District increased slightly from \$ 96,402,637 to \$ 96,749,112.

Enrollment decreased in September of 2006, which determines FY08 funding. Combined with 4% allowable growth, the District will receive an additional \$ 87,000 in state aid for 2007/08. Property tax receipts will increase \$ 3,000.

Employment contract settlements for a three year period were reached with both bargaining groups. The package settlements are:

### **Certified Staff**

2005/06:	4.0%	2006/07:	4.2%	2007/08:	4.4%
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### **Support Staff**

2005/06:	5.45%	2006/07:	4.32%	2007/08:	3.09%
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## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Melissa Fettkether, Business Manager/Board Treasurer, or Cathleen Molumby, Superintendent.



## Basic Financial Statements

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,126,751	77,874	2,204,625
Receivables:			
Property tax:			
Delinquent	38,885	0	38,885
Succeeding year	1,418,973	0	1,418,973
Accounts	0	657	657
Due from other funds	1,978	0	1,978
Due from other governments	132,328	0	132,328
Inventories	0	9,032	9,032
Capital assets, net of accumulated depreciation	3,147,099	12,433	3,159,532
<b>TOTAL ASSETS</b>	<b>6,866,014</b>	<b>99,996</b>	<b>6,966,010</b>
<b>LIABILITIES</b>			
Accounts payable	12,100	0	12,100
Salaries and benefits payable	417,619	11,438	429,057
Accrued interest payable	13,091	0	13,091
Deferred revenue:			
Succeeding year property tax	1,418,973	0	1,418,973
Other	0	5,798	5,798
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	135,000	0	135,000
Revenue bonds payable	80,000	0	80,000
Compensated absences payable	41,818	0	41,818
Portion due after one year:			
Revenue bonds payable	775,000	0	775,000
Notes payable	340,000	0	340,000
<b>TOTAL LIABILITIES</b>	<b>3,233,601</b>	<b>17,236</b>	<b>3,250,837</b>
<b>NET ASSETS</b>			
Invested in capital assets; net of related debt	2,044,655	12,433	2,057,088
Restricted for:			
Management levy	126,963	0	126,963
Physical plant and equipment levy	315,664	0	315,664
Local option sales and service tax	628,048	0	628,048
Other special revenue purposes	77,076	0	77,076
Unrestricted	440,007	70,327	510,334
<b>TOTAL NET ASSETS</b>	<b>\$ 3,632,413</b>	<b>82,760</b>	<b>3,715,173</b>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Operating Grants, Contributions and Restricted Interest	Capital Grants	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS:						
Governmental activities:						
Instruction:	\$ 1,805,363	109,382	249,956	0	(1,446,025)	0
Regular	885,510	53,324	168,370	0	(663,816)	0
Special	266,701	128,629	24,262	0	(113,810)	0
Other	2,957,574	291,335	442,588	0	(2,223,651)	0
Support services:						
Student	108,143	9,107	402	0	(98,634)	0
Instructional staff	144,513	15	11,513	0	(132,985)	0
Administration	526,317	0	0	0	(526,317)	0
Plant operation and maintenance	375,593	395	0	0	(375,198)	0
Transportation	219,027	14,105	0	0	(204,922)	0
	1,373,593	23,622	11,915	0	(1,338,056)	0
	1,318	1,995	0	0	677	677
Non-instructional programs						
Other expenditures:						
Facilities acquisition	12,605	0	0	5,135	(7,470)	0
Long-term debt interest	35,682	0	0	0	(35,682)	0
AKA flowthrough	177,469	0	177,469	0	0	0
Depreciation (unallocated)	100,759	0	0	5,135	(100,759)	0
	326,515	0	177,469	5,135	(143,911)	0
Total governmental activities	4,659,000	316,952	631,972	5,135	(3,704,941)	0
Business type activities						
Non-instructional programs:						
Road service operations	251,038	112,536	126,430	0	0	0
Total	\$ 4,910,038	429,488	758,402	5,135	(3,704,941)	(12,072)
GENERAL REVENUES:						
Property tax levied for:						
General purposes						1,398,046
Debt service						155
Capital outlay						62,846
Local option sales and service tax						301,704
Income tax surtax						13,923
Unrestricted state grants						2,168,302
Unrestricted interest earnings						65,397
Other						12,425
Total general revenues						4,019,418
Change in net assets						314,477
Net assets beginning of year						3,317,936
Net assets end of year						\$ 3,632,413

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Special Revenue Property, Plant and Equipment Levy	Capital Projects	Nonmajor	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 787,709	448,150	652,150	238,742	2,126,751
Receivables:					
Property tax:					
Delinquent	32,794	3,333	0	2,758	38,885
Succeeding year	1,275,925	61,133	0	81,915	1,418,973
Due from other funds	67,807	0	27,044	0	94,851
Due from other governments	53,869	0	78,959	0	132,328
<b>TOTAL ASSETS</b>	<b>\$ 2,217,604</b>	<b>512,616</b>	<b>758,153</b>	<b>323,415</b>	<b>3,811,788</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	\$ 12,100	0	0	0	12,100
Salaries and benefits payable	417,619	0	0	0	417,619
Due to other funds	17,044	65,829	0	10,000	92,873
Deferred revenue:					
Succeeding year property tax	1,275,925	61,133	0	81,915	1,418,973
<b>Total liabilities</b>	<b>1,722,688</b>	<b>126,962</b>	<b>0</b>	<b>91,915</b>	<b>1,941,565</b>
<b>Fund balances:</b>					
Reserved for:					
Debt service	0	69,990	130,105	27,461	227,556
Unreserved	494,916	315,664	628,048	206,039	1,642,667
<b>Total fund balances</b>	<b>494,916</b>	<b>385,654</b>	<b>758,153</b>	<b>231,500</b>	<b>1,870,223</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,217,604</b>	<b>512,616</b>	<b>758,153</b>	<b>323,415</b>	<b>3,811,788</b>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2007

Total fund balances of governmental funds (page 20)	\$ 1,870,223
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,147,099
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,091)
Long-term liabilities, including bonds and notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,371,818)</u>
Net assets of governmental activities (page 18)	<u>\$ 3,632,413</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Special Revenue Property, Plant and Equipment Levy	Capital Projects	Nonmajor	Total
<b>Revenues:</b>					
Local sources:					
Local tax	\$ 1,288,649	76,705	301,704	108,513	1,775,571
Tuition	106,734	0	0	0	106,734
Other	55,993	14,829	26,662	165,815	263,299
Intermediate sources	6,460	0	0	0	6,460
State sources	2,624,150	46	0	78	2,624,274
Federal sources	197,139	0	0	0	197,139
Total revenues	4,279,125	91,580	328,366	274,406	4,973,477
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,784,089	0	0	20,254	1,804,343
Special	885,510	0	0	0	885,510
Other	101,862	0	0	162,361	264,223
	2,771,461	0	0	182,615	2,954,076
Support services:					
Student	108,143	0	0	0	108,143
Instructional staff	143,392	0	0	0	143,392
Administration	498,271	0	0	14,206	512,477
Plant operation and maintenance	345,842	0	0	17,604	363,446
Transportation	133,751	65,829	0	8,447	208,027
	1,229,399	65,829	0	40,257	1,335,485
Non-instruction programs	1,318	0	0	0	1,318
Other expenditures:					
Facilities acquisition	0	98,652	13,457	0	112,109
Long-term debt:					
Principal	0	0	0	220,000	220,000
Interest and fiscal charges	0	0	0	37,954	37,954
AEA flowthrough	177,469	0	0	0	177,469
	177,469	98,652	13,457	257,954	547,532
Total expenditures	4,179,647	164,481	13,457	480,826	4,838,411
Excess (deficiency) of revenues over (under) expenditures	99,478	(72,901)	314,909	(206,420)	135,066

(continued)

Exhibit E  
(continued)

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Special Revenue Property, Plant and Equipment Levy	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Operating transfers in	0	0	0	257,954	257,954
Operating transfers out	0	0	(257,954)	0	(257,954)
Total other financing sources (uses)	0	0	(257,954)	257,954	0
Net change in fund balances	99,478	(72,901)	56,955	51,534	135,066
Fund balances beginning of year	395,438	458,555	701,198	179,966	1,735,157
Fund balances end of year	\$ 494,916	385,654	758,153	231,500	1,870,223

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2007

Net change in fund balances-total governmental funds (page 23)	\$ 135,066
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	\$ (127,668)	
Expenditures for capital assets	99,504	(28,164)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	220,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	2,272
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Compensated absences	(14,697)
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Change in net assets of governmental activities (page 19)	\$ 314,477
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See notes to financial statements.



VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
June 30, 2007

	<u>School Nutrition</u>
ASSETS	
Cash and cash equivalents	\$ 77,874
Accounts receivable	657
Inventories	9,032
Capital assets, net of accumulated depreciation	<u>12,433</u>
TOTAL ASSETS	<u>99,996</u>
LIABILITIES	
Salaries and benefits payable	11,438
Deferred revenue	<u>5,798</u>
TOTAL LIABILITIES	<u>17,236</u>
NET ASSETS	
Invested in capital assets	12,433
Unrestricted	<u>70,327</u>
TOTAL NET ASSETS	<u>\$ 82,760</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 112,536</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	91,176
Benefits	33,112
Purchased services	2,113
Supplies	122,589
Depreciation	<u>2,048</u>
Total operating expenses	<u>251,038</u>
Operating loss	<u>(138,502)</u>
Non-operating revenues:	
State sources	6,627
Federal sources	119,803
Interest income	<u>3,380</u>
Total non-operating revenues	<u>129,810</u>
Net loss	(8,692)
Net assets beginning of year	<u>91,452</u>
Net assets end of year	<u><u>\$ 82,760</u></u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Year Ended June 30, 2007

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 111,986
Cash received from miscellaneous operating activities	1,657
Cash paid to employees for services	(126,534)
Cash paid to suppliers for goods or services	<u>(109,250)</u>
Net cash used by operating activities	<u>(122,141)</u>
Cash flows from non-capital financing activities:	
State grants received	6,627
Federal grants received	<u>102,216</u>
Net cash provided by non-capital financing activities	<u>108,843</u>
Cash flows from investing activities:	
Interest on investments	<u>3,380</u>
Net decrease in cash and cash equivalents	(9,918)
Cash and cash equivalents beginning of year	<u>87,792</u>
Cash and cash equivalents end of year	<u>\$ 77,874</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (138,502)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	17,587
Depreciation	2,047
Increase in accounts receivable	(376)
Increase in inventories	(2,135)
(Decrease) in accounts payable	(8)
(Decrease) in salaries and benefits payable	(2,246)
Increase in deferred revenue	<u>1,492</u>
Net cash used by operating activities	<u>\$ (122,141)</u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2007, the District received \$ 17,587 of federal commodities.	

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS  
FIDUCIARY FUND  
June 30, 2007

	<u>Agency</u>
ASSETS	
Due from other governments	<u>\$ 2,383</u>
LIABILITIES	
Accounts payable	406
Due to other funds	<u>1,977</u>
TOTAL LIABILITIES	<u>2,383</u>
NET ASSETS	<u>\$ 0</u>

See notes to financial statements.

VALLEY COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2007

(1) **Summary of Significant Accounting Policies**

Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Clermont, Elgin and Wadena, Iowa and the predominate agricultural territory of eastern Fayette and western Clayton Counties. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes Valley Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The District participates in two jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

The District is a member of the Fayette County Assessor's Conference Board and the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported

as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue Property Plant and Equipment Levy Fund is used to account for revenues derived from the property, plant and equipment levy which are required by law to be accounted for in a separate fund.

The Capital Projects Fund is used to account for revenues derived from the local option sales and service tax which are required by law to be accounted for in a separate fund.

The District reports the following major proprietary fund.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net assets and changes in net assets. The District's fiduciary fund is the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities

of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bullentins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.



D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purpose set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of the year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government

commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	4-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the

current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and lunch fees collected in advance.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 186,205</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Restricted Cash - Cash held in escrow by the Bank of America for retirement of QZAB bonds (see Note 6) is as follows:

Special Revenue Property, Plant and Equipment	
Levy Fund	\$ 69,690
Capital Projects Fund	<u>45,105</u>
Total	<u>\$ 114,795</u>

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated AAA by Moody's Investors Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Agency	\$ 1,978
	Special Revenue:	
	Property, Plant and	
	Equipment Levy	<u>65,829</u>
		<u>67,807</u>
Capital Projects	General	17,044
	Debt Service	<u>10,000</u>
		<u>27,044</u>
Total		<u>\$ 94,851</u>

The Agency Fund is repaying the General Fund for items paid by the General Fund, while the Agency Fund was awaiting payment from other school districts.

The Special Revenue; Property, Plant and Equipment Levy is reimbursing the General Fund for bus lease payments.

The General Fund is repaying the Capital Projects Fund for local option sales tax that was incorrectly recorded during the current year.

The Debt Service Fund is repaying the Capital Projects Fund for an excess transfer from a previous year.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 257,954</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Balance End of Year
Governmental activities:			
Capital assets not being depreciated:			
Land	\$ 32,907	-	32,907
Capital assets being depreciated:			
Buildings	4,262,489	32,700	4,295,189
Site improvements	63,785	28,704	92,489
Furniture and equipment	384,000	38,100	422,100
Total capital assets being depreciated	4,710,274	99,504	4,809,778
Less accumulated depreciation for:			
Buildings	1,197,913	96,134	1,294,047
Site improvements	24,678	4,625	29,303
Furniture and equipment	345,327	26,909	372,236
Total accumulated depreciation	1,567,918	127,668	1,695,586
Total capital assets being depreciated, net	3,142,356	(28,164)	3,114,192
Governmental activities capital assets, net	\$ 3,175,263	(28,164)	3,147,099
Business type activities:			
Furniture and equipment	\$ 69,425	-	69,425
Less accumulated depreciation	54,944	2,048	56,992
Business type activities capital assets, net	\$ 14,481	(2,048)	12,433

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 1,020
Other	2,478

Support services:

Instructional staff	1,121
Operation and maintenance of plant	11,290
Transportation	11,000

26,909

Unallocated

100,759

Total depreciation expense-governmental  
activities

\$ 127,668

Business type activities

Food service operations

\$ 2,048

# (6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 280,000	-	145,000	135,000	135,000
Revenue bonds	930,000	-	75,000	855,000	80,000
Notes payable	340,000	-	-	340,000	-
Compensated absences	27,121	20,570	5,873	41,818	41,818
Total	\$ 1,577,121	20,570	225,873	1,371,818	256,818

## General Obligation Bonds Payable

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2001			
	Interest Rates	Principal	Interet	Total
2008	4.25%	\$ 135,000	5,737	140,737

## Revenue Bonds Payable

Details of the District's June 30, 2007 local option sales and service tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of Sept 1, 2003			Bond Issue Dec 28, 2003			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Principal	Interest	Total	
2008	3.35%	\$ 80,000	22,930	0%	0	80,000	22,930	102,930	
2009	3.35%	80,000	20,250	0%	0	80,000	20,250	100,250	
2010	3.50%	85,000	17,423	0%	0	85,000	17,423	102,423	
2011	3.80%	90,000	14,225	0%	0	90,000	14,225	104,225	
2012	4.00%	95,000	10,615	0%	0	95,000	10,615	105,615	
2013	4.20%	100,000	6,615	0%	0	100,000	6,615	106,615	
2014	4.30%	105,000	2,257	0%	220,000	325,000	22,257	327,257	
Total		\$ 635,000	94,315		220,000	855,000	94,315	949,315	

The local option sales and service tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. The resolution providing for the issuance of the September 1, 2003 local option sales and service tax revenue bonds included the following provisions:

- a) \$ 85,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited in the Project Account.
- b) All proceeds from the local option sales and service tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The resolution providing for the issuance of the District's December 28, 2003 local option sales and service tax revenue bond included the following provisions:

- a) To provide for the payment of the bonds at maturity there is established with the Bank of America, N.A. of Des Moines, Iowa an irrevocable trust fund for the benefit of bondholders known as the Escrow Account to be invested as per the Investment Agreement. Annually, on July 1 of each year commencing July 1, 2005, there shall be deposited from the Sinking Fund into the Escrow Fund \$ 22,545 to be invested in accordance with the terms of the Investment Agreement. Such amount has been determined to be sufficient together with invested earnings thereon to pay when due the principal of the bonds. The Escrow Fund is pledged to the payment of the bonds at maturity. At June 30, 2007 the escrow account balance was \$ 45,090.

#### Notes Payable

During the year ended June 30, 2004 the District issued Capital Loan Notes (Qualified Zone Academy Bonds) to provide funds for the equipping, rehabilitation and repair of the School. The notes bear no interest and are payable from the Special Revenue, Physical Plant and Equipment Levy Fund (PPEL Fund). On July 1 of each year commencing July 1, 2005, there shall be deposited from the PPEL



Fund to the Escrow Fund \$ 34,845 to be invested in accordance with the Investment Agreement and held in trust for the benefit of the holders of the Note until final maturity July 1, 2013. At June 30, 2007 the escrow account balance was \$ 68,970. In any year in which taxable valuations within the District are of an amount that the tax collections will be less than \$ 34,845, the District shall certify to each County Auditor an additional tax levy to the full extent of 45¢ per thousand dollars of assessed valuation. Details of the District's indebtedness under the agreement in effect at June 30, 2007 are as follows:

Year Ending June 30,	December 28, 2003	
	Capital Loan Notes	
	Principal	Interest
2014	\$ 340,000	0

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$ 159,807, \$ 154,473 and \$ 147,992 respectively, equal to the required contributions for each year.

**(8) Risk Management**

Valley Community School District is exposed to various risks of loss related to torts; thefts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$ 177,469 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Lease Commitments**

The District has various leases for equipment which are classified as operating leases. Rent expense for all operating leases for the year ended June 30, 2007 totaled \$ 82,496.

Furture minimum lease payments under the noncancelable operating leases with initial or remaining terms of one year or more are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2008	\$ 75,838
2009	68,918
2010	32,011

Required Supplementary Information

VALLEY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2007

	Governmental Funds		Proprietary Funds		Total		Budgeted		Budgeted Amounts to Total Actual Variance
	Actual		Actual		Actual		Amounts		
Revenues:									
Local sources	\$ 2,145,604		115,916		2,261,520		2,211,976		49,544
Intermediate sources	6,460		0		6,460		0		6,460
State sources	2,624,274		6,627		2,630,901		2,637,081		(6,180)
Federal sources	197,139		119,803		316,942		363,192		(46,250)
Total revenues	4,973,477		242,346		5,215,823		5,212,249		3,574
Expenditures:									
Instruction	2,954,076		0		2,954,076		3,027,368		73,292
Support services	1,335,485		0		1,335,485		1,589,462		253,977
Non-instructional programs	1,318		251,038		252,356		285,721		33,365
Other expenditures	547,532		0		547,532		695,492		147,960
Total expenditures	4,838,411		251,038		5,089,449		5,598,043		508,594
Excess (deficiency) of revenues over (under) expenditures	135,066		(8,692)		126,374		(385,794)		512,168
Other financing sources, net	0		0		0		500		(500)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	135,066		(8,692)		126,374		(385,294)		511,668
Balances beginning of year	1,735,157		91,452		1,826,609		1,623,120		203,489
Balances end of year	\$ 1,870,223		82,760		1,952,983		1,237,826		715,157

See accompanying independent auditor's report.

Valley Community School District

Notes to Required Supplementary Information - Budgetary Reporting

Year Ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## Other Supplementary Information

VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2007

	<u>Special Revenue</u>		<u>Debt</u>	<u>Total</u>
	<u>Management</u>	<u>Student</u>		
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	
ASSETS				
Cash and pooled investments	\$ 124,205	77,076	37,461	238,742
Receivables:				
Property tax:				
Delinquent	2,758	0	0	2,758
Succeeding year	81,915	0	0	81,915
TOTAL ASSETS	<u>\$ 208,878</u>	<u>77,076</u>	<u>37,461</u>	<u>323,415</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 0	0	10,000	10,000
Deferred revenue:				
Succeeding year				
property tax	81,915	0	0	81,915
Total liabilities	<u>81,915</u>	<u>0</u>	<u>10,000</u>	<u>91,915</u>
Fund balances:				
Reserved for:				
Debt service	0	0	27,461	27,461
Unreserved	126,963	77,076	0	204,039
Total fund balances	<u>126,963</u>	<u>77,076</u>	<u>27,461</u>	<u>231,500</u>
TOTAL LIABILITIES AND				
FUND BALANCES	<u>\$ 208,878</u>	<u>77,076</u>	<u>37,461</u>	<u>323,415</u>

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2007

	<u>Special Revenue</u>			
	<u>Management</u>	<u>Student</u>	<u>Debt</u>	
	<u>Levy</u>	<u>Activity</u>	<u>Service</u>	<u>Total</u>
Revenues:				
Local sources:				
Local tax	\$ 108,358	0	155	108,513
Other	7,755	157,619	441	165,815
State sources	78	0	0	78
Total revenues	<u>116,191</u>	<u>157,619</u>	<u>596</u>	<u>274,406</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,254	0	0	20,254
Other	0	162,361	0	162,361
Support services:				
Administration	14,206	0	0	14,206
Plant operation and maintenance	17,604	0	0	17,604
Transportation	8,447	0	0	8,447
Other expenditures:				
Long-term debt				
Principal	0	0	220,000	220,000
Interest and fiscal charges	0	0	37,954	37,954
Total expenditures	<u>60,511</u>	<u>162,361</u>	<u>257,954</u>	<u>480,826</u>
Excess (deficiency) of revenues over (under) expenditures	55,680	(4,742)	(257,358)	(206,420)
Other financing sources:				
Operating transfers in	0	0	257,954	257,954
Excess (deficiency) of revenues and other financing sources over (under) expenditures	55,680	(4,742)	596	51,534
Fund balances beginning of year	<u>71,283</u>	<u>81,818</u>	<u>26,865</u>	<u>179,966</u>
Fund balances end of year	<u>\$ 126,963</u>	<u>77,076</u>	<u>27,461</u>	<u>231,500</u>

See accompanying independent auditor's report.



VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Interfund Transfers	Balance End of Year
Interest	\$ 1,041	4,728	0	(4,426)	1,343
Drama	8,216	3,023	3,062	0	8,177
Junior High Drama	1,167	762	405	0	1,524
Speech	(994)	193	971	1,448	(324)
Vocal Music	12,440	7,873	13,999	0	6,314
Instrumental Music	2,019	1,698	2,199	0	1,518
Band Carnival	5,628	6,928	4,011	0	8,545
Band Uniforms	10,372	2,079	0	0	12,451
Band	435	10,886	0	0	11,341
Magazine Sales	(1,231)	0	3,254	54	(4,485)
Junior High Athletics	519	845	1,418	0	(1,116)
Football Cheerleaders	(962)	25	179	0	77
Drill Team	455	0	378	0	77
Wrestling Cheerleaders	2,733	4,004	4,825	0	1,912
Girls' Track Fundraiser	1,024	0	220	0	804
Boys' Track Fundraiser	804	1,658	1,578	0	884
Cross Country Fundraiser	0	0	212	0	(212)
Golf Fundraiser	2,381	2,149	4,165	0	365
Boys' Basketball Fundraiser	7,696	12,560	14,583	0	5,673
Football Fundraiser	2,407	2,966	4,509	0	864
Baseball Fundraiser	0	3,356	2,879	0	477
Wrestling Fundraiser	396	0	1,542	0	(1,146)
Girls' Basketball Fundraiser	891	0	0	0	891
Girls' State Basketball Tournament	2,496	2,360	2,898	0	1,958
Volleyball Fundraiser	1,742	386	2,491	0	(363)
Softball Fundraiser	(2,671)	28,746	33,208	0	(7,133)
General Athletics	3,328	2,596	3,238	0	2,686
Student O	21	4,581	0	0	4,602
Athletic Resale	9,047	16,161	17,542	0	7,666
FEA	(111)	0	397	508	0
National Honor Society	1,012	10,883	14,311	2,416	1,189
Student Council	1,076	1,559	1,546	0	(398)
Junior High Student Council	154	6,531	7,083	0	1,134
Yearbook	922	314	102	0	2,239
Class of 2006	3,419	2,581	3,761	0	3,923
Class of 2007	1,657	13,146	10,880	0	1,479
Class of 2008	1,119	360	0	0	1,119
Class of 2009	810	824	515	0	670
Class of 2010	340	330	0	0	330
Class of 2011	0	98	0	0	98
Class of 2012	0	0	0	0	0
Youth Baseball	0	0	0	0	0
Total	\$ 81,818	157,619	167,361	0	77,976

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
 AGENCY FUND  
 Year Ended June 30, 2007

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash	\$ 170	15,764	15,934	0
Due from other governments	1,742	16,182	15,541	2,383
TOTAL ASSETS	<u>\$ 1,912</u>	<u>31,946</u>	<u>31,475</u>	<u>2,383</u>
LIABILITIES				
Accounts payable	\$ 158	31,723	31,475	406
Due to other funds	1,754	223	0	1,977
TOTAL LIABILITIES	<u>\$ 1,912</u>	<u>31,946</u>	<u>31,475</u>	<u>2,383</u>

See accompanying independent auditor's report.

VALLEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,775,571	1,778,963	1,766,838	1,688,618
Tuition	106,734	85,134	80,288	113,882
Other	263,299	329,152	296,600	257,836
Intermediate sources	6,460	0	0	0
State sources	2,624,274	2,533,585	2,387,749	2,217,454
Federal sources	197,139	225,582	419,049	1,050,836
Total	<u>\$ 4,973,477</u>	<u>4,952,416</u>	<u>4,950,524</u>	<u>5,328,626</u>
Expenditures:				
Instruction:				
Regular	\$ 1,804,343	1,658,069	1,617,642	1,672,441
Special	885,510	889,263	764,552	651,501
Other	264,223	306,623	368,660	421,808
Support services:				
Student	108,143	106,469	109,244	97,044
Instructional staff	143,392	146,601	110,504	145,799
Administration	512,477	537,970	520,321	483,493
Plant operation and maintenance	363,446	458,363	367,752	372,824
Transportation	208,027	156,996	212,092	233,259
Central support	0	0	1,813	1,574
Non-instructional programs	1,318	2,712	750	564
Other expenditures:				
Facilities acquisition	112,109	43,597	591,851	1,334,186
Long-term debt:				
Principal	220,000	220,000	215,000	135,000
Interest and other charges	37,954	46,747	54,828	90,423
AEA flowthrough	177,469	172,207	169,150	169,534
Total	<u>\$ 4,838,411</u>	<u>4,745,617</u>	<u>5,104,159</u>	<u>5,809,450</u>

See accompanying independent auditor's report.

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of the  
Valley Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Valley Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Valley Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion of the effectiveness of Valley Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Valley Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency which we also consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely

basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Valley Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Valley Community School District's financial statements that is more than inconsequential will not be prevented or detected by Valley Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Valley Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valley Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Valley Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did

not audit Valley Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Valley Community School District and other parties to whom Valley Community School District may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Valley Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 21, 2007

*Dietz, Donald & Company*  
Dietz, Donald & Company, CPAs  
FEIN 42-1172392

VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2007

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-07 Preparation of Financial Statements - The District does not have an internal control system designed to review the financial statements prepared by us as auditors.

Recommendation - We realize that obtaining the expertise necessary to review the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the District's management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other consideration.

Response - We hired a new business manager in October, 2006. At the time of hiring, the new business manager had no governmental experience. However, we hope for her to acquire the necessary expertise by attending continuing education programs and have sent her to classes this fall.

Conclusion - Response accepted.

VALLEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2007

Part II: Other Findings Related to Statutory Reporting:

- II-A-07 **Certified Budget** - Disbursements for the year ended June 30, 2007 did not exceed the amounts budgeted.
- II-B-07 **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-07 **Travel Expenses** - No expenditures of District money for travel expenses of spouses of District officials or employees were note. No travel advances to District officials or employees were noted.
- II-D-07 **Business Transactions** - No business transactions between the District and District officials or employees were noted.
- II-E-07 **Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-07 **Board Minutes** - We noted no transactions requiring Board approval which had not been approved by the Board.
- II-G-07 **Certified Enrollment** - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 **Deposits and Investments** - No instances of non-compliance with the deposits and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-07 **Certified Annual Report** - The Certified Annual Report was certified timely to Iowa Department of Education.